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WORK MEMO #

SUBJECT: VISIT TO MID-TOWN PARK APARTMENTS AND INTERVIEWS, SAN FRANCISCO, 4/17/ - 4/18/75

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INTRODUCTION

In the course of my visit to San Francisco, I met the following:

Jack Tolan, Assistant to the Mayor for Development

Wesley Slade, Special Assistant for Housing and Relocation

John Douglas, Mayor's Office, Special Projects

_____, Attorney and Staff Member responsible for legal questions

Clarence Green, Board of Directors

James Gibbs, Vice President of the Board of Directors to 12/70 and original resident of the project

Mrs. Green, Manager and resident

Bob Gillim (?), HUD area office

Gillim's replacement, HUD area office _____, United California Mortgage Company (previously Marble Mortgage Company of San Francisco).

I spent about three hours visiting the site and the rest of the ~~time~~ two days interviewing the above named people.

BACKGROUND

The project, 140 one, two, and three bedroom units in a six building walk up complex (4 stories), is located in San Francisco's Western Addition. The project was originally developed by the Barton-Western Co. and intended as a cooperative under Section 213. It was one of the early housing developments in the A-1 Renewal Area of the Western Addition. Immediately adjacent to the project and to the A-1 Area is a second stage known as A-2. These areas have been almost entirely renovated or redeveloped when I saw them in 1975. Indeed, the areas were described by Slade as the showcase of redevelopment in San Francisco. The neighborhood is currently predominately Black to the South of the _____Expressway and generally to the south of Midtown Park and heavily Japanese (Japan Town) to the north ~~of~~ on the other side of Erie. Included in the

~~rejabe;~~

~~included in the rehabilitation~~

~~in the~~ rehabilitation area are several hospital and medical centers, the Japanese cultural center, the new St. Mark's Cathedral, a shopping center, Sears Roebuck, and a substantial amount of older public housing and new subsidized construction and rehabilitation. A considerable amount of additional rehabilitation and construction is scheduled for the vicinity. As it appears now, it bears very little resemblance to a rundown or a slum section. The project is centrally located physically, near to the civic center and apparently quite convenient to downtown San Francisco. Indeed the transportation was described to me as so good that occupants did not need a car. The weather (presumably referring to the micro-climate) was described as good, and it was pointed out that right near by is the Mt. Zion Medical Center and a new shopping center.

Each of the six buildings has parking area on the first level which is partly below grade. The apartments are arranged as duplexes in such a manner that no one needs to walk more than three flights to get to their apartment. Stairwells are outdoors with hallways leading directly to the apartments opening off the stairs. The grounds are extensively landscaped. From the beginning, the monthly costs to residents have included both utilities and the parking space.

HISTORY

I was told that prior to redevelopment, the area had been occupied primarily by homeowners, and that the decision to make the new project a cooperative was somehow related to this. The project was put into occupancy in December, 1963. Marketing was done by Brown Real Estate in Berkeley. Prices ranged from $15,000 to $27,000, the latter for the so-called deluxe three bedroom unit. Between December, 1963 and December, 1964

60 families (I was also given the ~~range~~ figures 56 to 66) moved in thinking that they were homeowners. This comprised the highest total ~~ever~~ whoever subscribed. Some problems were present from the outset. For one thing, some of the original cooperators had expected four bedroom apartments but a revision of the plans gave them three bedrooms and a balcony. Moreover, costs were ~~at that time~~ 15 to 20% above the general market for minority households. FHA considered the marketing job poorly done and Gibbs wonders whether the sponsors ever really intended to create a successful co-op in the first place.

Of the original 60 households, only six were black. The majority of the remaining families were oriental and some of these were elderly. (Of the original 6 black households only two are left now.) ~~THXXXXXXXXXXXXXX~~

New
Paragraph

~~under not true?~~

In August of 1964, unbeknownst to the residents, the developer went to the redevelopment authority asking for permission to change the project to a rental. They were sent to FHA which in October gave them permission to convert to a rental. No formal communication was made to the would-be-cooperators. On December 28, 1964, the "for sale" signs changed to "for rent" and the managing/marketing agent was fired. In January, 1965, each of the tenants got a letter from the sponsor, ~~although~~ giving them their first formal notification, although the change in the signs and the rumors that had preceded it had already stirred the tenants up. A Mid-town Park Subscribers Committee was formed after individual tenants found themselves unable to get any information

or satisfaction. An attorney was hired and help was sought from a variety of elected and public officials. In May of 1965, ~~thirty-eight~~ 38 of the original 60 [redacted] filed a suit against the developer for misrepresentation. But prior to and ~~subsequent to~~ then following the filing of the suit, a great majority of the original subscribers moved out of the project. Gibbs' understanding ~~of this was~~ is: "they saw no hope of saving the project."

¶ The explanation for the exodus lies only ~~in part of~~ partly in their disappointment, apparently. The building itself is said to have gone rapidly downhill. Subsequent to the firing of the original management, there was a ~~sequence~~ series of managers, none of whom lasted more than a short period (one of my sources told me that there were as many as seven between the firing and FHA's foreclosure.) Renters began moving in to the project. There was no screening and the project became a "transient facility."

The physical condition became rundown. There were no rules and regulations. No formal records were kept and there was no standard system of rent collection. Maintenance was deferred, there was prostitution, some drugs, boisterousness, and loud partying.

In August of 1965 the sponsor stopped paying debt service on the project. Apparently many of the rentals were going to relocatees from public action in the surrounding sections. In February of 1966, the FHA sued and from April and May of 1966 until the auction in June of 1967, the building was in the hands of a court appointed receiver. Reports are that the year of receivership helped to bring the project back and that a fair number of the problems that had plagued ~~the project~~ it in this interval had been remedied. FHA entered the only bid at the foreclosure sale and from June 1967 to December of 1968, the property was under an FHA management contract. At this time, a clear priority was

being given to relocatees as units became vacant.

The sequence is not exactly clear, but is not terribly important. A man named Flowers, a Principal in Bart on Western, wanted to rescue the firm's reputation (or avoid prosecution?) and went to the City proposing a deal whereby the City would redeem the project for $3.1 million, thereby making good the default and putting FHA whole. Apparently this deal was never seriously entertained, but it did prompt Tolan to suggest that if municipal purchase of the property was contemplated, why not purchase it for the use of the city itself. About March, the City became seriously interested in purchasing the property as a relocation facility for low income households. The A-2 Redevelopment Area was extremely active and a good deal of displacement was taking place. At first it was suggested that the building be bought and placed under the supervision of the Housing Authority. Some approaches were made to the Board of Supervisors. At about this time the

tenants heard about the plan to turn the project into a relocation facility and formed what was called a The Commitee for an Integrated Development which went to the Mayor and asserted their interests in not being kicked out of the project. Their main concern was that under the contemplated terms of the city purchase ~~that~~ many of them would no longer be eligible under the income limits that were to be imposed. The Mayor suggested that they make their case to the Board of Supervisors, and between April and August a number of sessions were held with sub-committees and with the full Board itself. The final ~~resolution~~ decision of the Board of Supervisors, embodied in a lease agreement that they passed, was to give the tenants the right to select a Board of Directors which would thereafter be self-perpetuating ~~thereafter~~ and to choose their own management. In addition, a clause which imposed ~~upper~~ 221(d)3 program income limits for initial occupancy ~~as the current ceilings under the program~~ 223 B? were eliminated.

~~New Paragraph~~

Various alternatives were considered in specifying the composition of the Board including a board made up entirely of outsiders, a mixture of tenants and outsiders and a board of tenants only. The final decision was the last option, and a Board of five members was created. Almost everyone I interviewed asserted the virtual necessity of having the Board fill its own vacancies and be self-perpetuating. Primarily, this is seen as creating stability and some isolation from cliques and factions, particularly as protection for the city and the mortgagee.

Green outlined for me the goals of the final transfer and the management arrangements that were worked out as follows:

1. To maintain the property.
2. To ultimately work towards tenant ownership so that every tenant would have an enlightened self-interest in the project's upkeep and well-being.
3. To keep a group in the city that might otherwise move out.

4. To create opportunities for democratic participation of everyone in residential _____.

The deal ~~that was~~ finally worked for the transfer of the property was ingenious. It appears that it was put together primarily by Tolan with some help from a Jack G. Tuttle, who was then the Asst. Director of HUD's San Francisco office. Tolan used a lot of his own contacts both in Washington and among the lending institutions to make the deal. To begin with, in May of 1968, the Midtown Corporation, a non-profit entity created for this express purpose, was set up with a three member board recruited by Tolan ~~from~~ from civic types - an attorney, an accountant, and a general manager of an insurance company. It was this corporation ~~that~~ whose board members were replaced by the five tenants at the time of the transfer. Since the City could not assume a debt - that is put a mortgage on a City property - without a referendum, it was arranged that the non-profit corporation would take title, simultaneously sign the ~~mortgage~~ mortgage agreement and ~~simultaneously~~ immediately re-convey the property to the city as a gift. The city was then able to take the

property subject to the mortgage but without assuming the mortgage. The mortgagee has the ~~guarantee~~ protection of ~~the~~ FHA insurance which was part of the deal.

The final part of the package was to get a private lender, utilizing Section 207 (it is not absolutely certain that this was the section employed) to make a loan. Moreover, the idea was to get the loan at a below-~~the~~-market rate. What Tolin managed to do was to get a ruling from the IRS that in fact the income from the payments on that particular mortgage were tax exempt for the purposes of filing by the Penn Mutual Life Insurance Company, which had agreed to become the mortgagee. Tolan says that since the title was in the name of the city, and the evidence of debt was just the same as if a city bond had been floated to build a garage or some other similar facility, the interest payments on that debt just as on a bond, should be tax exempt. And the IRS in fact agreed.

~~providing that under a section of the tax act.~~

The letter containing the ruling indicated that it would only apply ~~this~~ if the building were built in 1968 or earlier and if the deal as a whole could be completed before January of 1969. I was given no satisfactory explanation as to why these conditions were applied, but they were. The route to Penn Mutual Life Insurance Company was through the Marble Mortgage Company of San Francisco, but apparently Penn Mutual was singled out ~~from~~ at the outset because they had purchased a number of the city's revenue bonds. Tuggle had ~~Xxxxxxxxx~~ originally argued for the revenue bond route, but Tolan thought it was an impossibility to get ~~that kind of thing~~ a proposal for a single building on the ballot.

The final filip ~~(sic)~~ was an arrangement whereby 100% financing, including the closing costs, was arranged with the mortgagee —

a total of $2.1 million which FHA had agreed to accept. The price was slightly above the city's appraisers figure of $1,950,00 but the appraiser accepted.

In January of 1969, nominations were solicitated and an election was held under the supervision of the City's attorney, and by the end of that month a tenant board took over basic control of the project under the lease negotiated with the Board of Supervisors prior to the transaction and according to a set of by-laws which the city apparently helped them prepare.

TENANT MANAGEMENT

The original board of the tenant corporation consisted of five members: a teacher in a public elementary school, a social worker with the Urban League, a computer operator with IBM, a supervisor in a medical laboratory, and the Assistant Vice President at Crawford National Bank who previously had been President of a real estate company in East St. Louis.

(while the board membership has turned over to some extent, the current board is very much similar in occupational status to the original one). ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ When the Tenant Board took over they started with ~~an~~ an on-site manager who was an employee of the previous management firm. Instead of retaining a regular management firm, the board, with some support from the people working with them from City Hall, decided that they collectively had enough property and business management experience to run the project themselves rather than go the route of hiring ~~a~~ an approved firm. The City consciously looked the other way and FHA has made no complaint. (If one calculates a management fee at 5% of gross rents, which appears to be the going rate for such projects in San Francisco, ~~of gross rents~~ the savings in this project, where the gross is $300,000, comes to $15,000 annually through self-management.)

The on-site manager who stayed on lasted approximately 16 months until April of 1970, when she left because of a personal

emergency. Her leaving is described by Slade as a piece of good luck since it forced the board members to get into the day-to-day operations of the project and discover that while the previous manager had not been negligent or dishonest, there were a number of informal, loose arrangements which should not have been permitted and which they were able to change. Rent collecting for example had become somewhat lax, it was explained to me that since the City owned the building they could get away with late or delayed payments. The Board instituted much more regular and strict payment procedures and apparently did move some people out. However, they emphasized that with their own personal knowledge of the residents they were able to distinguish those who legitmately should be allowed to arrange rent catch up agreements as opposed to those who were just trying to freeload.

Upon taking over, the Board made a considerable number of

physical improvements. For example, there had been no locks or doorbells in the original project design. The tenants had locks installed and doorbells that required tenants to come out of the apartment door and walk to the end of the corridor to let visitors in. Some tenants now complain about what strikes me as a minor inconvenience, but the board members I talked to said they had only one robbery in the inside in the six years that they had been operating the project. They also brought their own washing machines and dryers into the project and are deriving some income from these facilities. They also did an extensive amount of re-landscaping, getting some help from a horticulturist from the community college amongst others. They now have a contract with a gardener who lives across the street and who is supported by the project's own maintenance staff which takes care of the grounds. By Eastern standards the landscaping is extroadinary and I suppose even by western standards it is quite nice. The grounds have

lots of flowering plants, shade trees, and fairly well-maintained grassy areas although there are ~~some~~ paths worn in some sections. The landscaping was also designed to serve some social purposes. Some ~~rather~~ elegant but rather sticky and forbidding hedges have been placed where otherwise kids from the Junior High School (across the street from the project) used to have access to the below grade parking area where they could jump down off the retaining wall right on top of the cars. In general, the hedging creates a non-visually forbidding but physically forbidding control of access to the grounds. It requires people to enter basically from the pathways at the four corners.

Since the original Manager left, Mrs. Green, the wife of Clarence Green who is the kingpin on the tenant board, has been the paid manager. She continues to use the apartment that has been sort of rearranged ~~for the~~ as a management office

and had once been lived in by the previous manager. The office also provides some limited community space for small group ~~some kind of~~ functions. Mrs. Green has a staff of four or five. The project had a super who was quite skilled and was able to do repair work that might have required outside contracts in another project. He is no longer there but the Board explained to me that they are trying to build up the same skills in one of the current employees.

The project ~~is now~~ was estimated by Green to be between 75 - 80% Black, 10% White and 15% other (predominantely Asian). Actual figures that were provided me later in the management office shows that as of the 30th of June, 1974, the figures look as follows:

Total	White	Black	Spanish-American	Orient
139	14	121	2	2

The actual figures show that while Green's guess at the White population is accurate, the Black is ~~exact~~ actually slightly higher than

had been reported, roughly to me, by Clarence Green. All the people I spoke with maintained that the project was still mixed economically. According to the only extant survey, dated July, 1968, the incomes ranged from below $6,000 a year to over $17,400 with a median of about $11,400 annually. Since 1969 and the advent of tenant management, the board has been enforcing minimum income standards on new tenants. These standards were given me by Green who said that at the tenants were expected to earn at least $7,200 a year or $600. a month to afford the one bedroom apartment which rents for $150. Tenants wishing to occupy the largest apartment which rents for $210 are expected to be earning at least $340 a month. Green claimed that the median income was about $800 a month and that most households other than single person households had two family members working. It seems clear that Green's estimates in terms of median income are quite low since the median in '68 was already $900. In fact Slade and Douglas told me that not only have the minimums been

instituted but that very few tenants, if any, are actually coming in at the minimum. That is, this is a floor but that they are getting people ~~with~~ considerably ~~more than~~ above the minimum for occupancy. As far as I can tell, there is one tenant that is on the ~~[redacted]~~ city's own special rent supplement rent program, and apparently several who receive some form of welfare. My guess is that the income survey that will be done with regard to the conversion of the project to a condominium is going to show an income scale that ~~is~~ has been tipped considerably up since the '68 survey. Although the range might still be fairly broad, my guess is that the incomes are more bunched ~~into the~~ in higher categories. It was pointed out ~~[redacted]~~ to me that it was this economic integration that accounted for the fact that people of the quality of James Gibbs and Clarence Green were available to the project. It is particularly Green's experience in real estate and his ~~sort of~~ hard nosed "business sense", according to Slade, that ~~has~~ helped to make the project go.

When I posed to Tolan and Slade the question of how good they thought the tenant management of the project was (a question I posed in different ways several times) the most immediate response I got was that the project hasn't missed a mortgate payment yet. Tolan described the management of the project since the tenants took over as a very professional operation. Universally among the people I spoke to at the City, they regard the management there as better than in almost any of the other non-profit subsidized projects in the City and, if I am not recollecting incorrectly, better managed than most of the private stock as well. They really had very little reservation at all in endorsing the project. Tolan describes the Board membership as a balance of people with social sensitivities, [redacted] (software skills) and real estate expertise. When I tried to ascertain the nature of the City's role in the project, (i.e. whether they acted as technical

assistants or simply kind of monitors and expediters. Tolan said that the City responded like any rental property owner. It maintained enough presence to make its interest and concern clear, but I took him to be saying that there was not really any extensive technical assistance, and this is, in fact, my impression. Tolan did give an example of a contribution made that I gathered was one of several. This involved taking the rent billing and collecting out of the hands of the management on-site and turning it over to a bank for the ease and accuracy of record keeping, the speed with which the information on its cash position could be made available to the project, the regularity and uniformity with which billing was done, the persuasive impact of a billing from a bank as opposed from the friendly on-site manager, and the security problem presented by collecting and holding large amounts of cash on-site.

Tolan cited the "dog problem" as the most divisive single problem they had at the project. This issue was mentioned more than once and apparently has been a recent bone of contention. [illegible] Apparently, the Board put out a rule abolishing the keeping of all pets, which had the predictable effect of causing the pet lovers to rise in rebellion. The result was finally the adoption of a non-dog policy for new tenants and the limitation on old tenants to one dog only. The story was both a description of some of the human failings of the management, but also I believe meant to convince me that despite the problems, the Board with the help of their City Hall friends were able to find a way.

It's clear that relationships between the non-board tenants and the Board are not always smooth. At the beginning of my interviewing, one of the group commented that most

of the tenants know each other ~~xxx~~ and that the project is "really one big family". Indeed, the Committee for an Integrated Community, the [redacted] group which organized against the sponsor and the termination of the co-op plan continues to exist, although it is independent from the Board of Directors of the Midtown Park [redacted] Corporation. Gibbs, who no longer lives at the project and is no longer on the project board, is President of the committee and obviously maintains very close relationships with Green and the Board. Some current Board members are also members of the committee ~~xxxxxxxxxxxxxxxxxx~~ along with other tenants of the project and [redacted] residents of the surrounding areas. The main role of the committee now is the enhancing social life of the project and part of the surrounding neighborhood. They sponsor a number of events during the course of the year, particularly on holidays. A large bulletin board in the management office displayed pictures of Easter egg hunts, fashion shows, Christmas parties, Halloween parties, rummage sales, participation in parades and ~~on and on with~~ the like over the

years since the tenants took over. Gibbs describes the commitee as existing primarily on a core group of 12 with participation by others when special events are planned. The relationship between the committee and the project and the Corporation is informal and a little hard to codify but it is there. For example, the committee uses the management office as a meeting facility, and while they get no income from the managment budget, they do solicit vendors that supply services and materials to the project for contributions. Gibbs described the committe as having grown up out of the glue of the original struggle to deal with the sponsor and then to deal with the city in terms of its plans for the project. Gibbs and Green both agreed that they wouldn't have known each other and that a lot of the tenants would not have known other tenants had it not been for the struggle against the origianl relocation plan which might have meant eviction for many. Gibbs was describing the committee, I believe, when he indicated that every six months

an orientation meeting ~~of the committee was~~ held and that an ~~xxxxxxxxx~~ open house was held once each year primarily for new tenants moving into the project. [One sidelight: ~~is the fact that~~ the group of original cooperative purchasers were ultimately successful in their suit against the sponsor ~~and apparently~~ with a settlement of $125,000 to go to the tenants and to the lawyer has been reached.]

[Gibbs showed me a whole series of ~~folders~~ notebooks filled with brochures, flyers and informational bulletins, as an indication of the Committee's activity, ~~of the committee~~. It is pretty clear that as a result of the committee there is rather a rich round of social activitities. The social welfare activities as ~~such~~ contrasted with socializing are not prominent in the life of the project. ~~discussion.~~ This is probably accounted for by the nature of the tenant population which either has ~~access or~~ the sophistication AND ~~the~~ mobility to seek them elsewhere or is not really in ~~the market for~~ need of these kinds of services.

Despite the excellent reports on the managerial and administrative capacity of the board and the apparent broad based membership and

effectiveness of the commitee (to say nothing of the obvious capacities of Gibbs and Green), all is not smooth sailing at the project. ~~When I asked directly I was told that both~~ Gibbs and Green agree that most people at the project don't realize the unique situation that prevails there and aren't very much involved in it ~~except~~ when there are crisis, such as the ~~fairly~~ recently instituted rent increase. The Board itself meets monthly and at one time had produced a newsletter, but Green indicated to me that over the last two years contacts with the tenants had been neglected and that this was primarily attributable to a squabble amongst the board members. Slade and Douglas later told me that one ~~of the~~ members ~~of the board~~ who was creating a lot of difficulty was put off the board (which regulates its own membership) on something of a technicality ~~xhirkxnhexx~~ and that she later ~~then~~ mobilized a disgruntled group of tenants in opposition. In ways that are not entirely clear to me this disgruntled group also included people on the pro side of the pet argument. The group went to the Board of Supervisors and ~~claimed that~~ in one fashion or another indicated their

dissatisfaction with the way the project was being run, and asked that the Board ~~require~~ mandate a democratic election process. I was told by ~~Slade or~~ Douglas, I belive, that about a total of ten people were involved in this faction and that about five of them showed up at the hearing before the Board of Supervisors. Three of them spoke. This information emerged when I inquired whether Gibbs' estimate of a 30% turnover rate in the past year was accurate. This kind of turnover suggested problems to me and Slade ~~indicated~~ stated that it was primarily attributable to the activities of the disgruntled group and really did not reflect either mismanagment or problems in the marketing of vacant units. Indeed, he showed me vacancy loss figures in the recent annual report which were extremely low. This did not in itself show that turnover was not occuring, but it did suggest that if it ~~were~~ was, management was not allowing it to affect the financial viability of the project.

It's obvious that the self perpetuating and non-democratic nature of the board has been a running issue ever since it was originally

established. All of the board members and the ~~city people~~ officials I spoke with were very and perhaps overly insistent on the necessity of an insulated, non-elected board. Indeed, the example of the board member who, because she was meddling too much in day to day affairs was finally kicked off as well as the ~~dog~~ revolt of the pet lovers faction ~~was proposed~~ were cited as clear evidence that if the board were not insulated it would be very easy for a clique to take over. Indeed, I was told that a group led by this previous board member had a plan of taking complete control of the project when they went to the Board of Supervisors. A sub committee of the Board finally decided that they could not order the tenant board to make any changes ~~if~~ so long as the terms of the lease ~~of the~~ with the City were being met. They requested that the Penn Mutual Mortgage Company make an evaluation of ~~the~~ management, which they apparently ~~was~~ conducted. The evaluation submitted could cite only the need for some exterior painting; otherwise they found the project in excellent health. The ~~board then was~~ Board of Supervisors then settled for sending a letter recommending that the Board might

change their method of selecting members but this ~~did not~~ has no legal force. The tenant board is now considering its response. Nevertheless, this commotion is said to have helped create some turnover. It strikes me that ~~that kind of argument alone~~ this explanation is not ~~quite~~ sufficient ~~explanation of~~ for the apparent turnover ~~of this~~ problem, but I was not able to learn ~~anything~~ more.

As a non-profit project, the project is not supposed to be in competition with other developments and therefore, they do not actively seek new residents. They do however, have a waiting list ~~and apparently for which people are waiting~~ normally requiring two to six months wait for apartments. Relocatees still have priority, ~~In fact it was confirmed by~~ according to Tolan, ~~and is~~ apparently a residue of the original idea of making this a relocation source. At one time there were 27 relocatees taken into the project. The units were also used for emergency relocatees.

THE CONVERSION PLAN

Apparently, from the beginning it has been the expectation of the City

and at least of some of the Board Members that the project would ultimately be transferred to the tenants, and, indeed, this has now crystalized in the form of a plan to convert to a condominium under Section 234. John Douglas has been brought into the project essentially to put this package together and to put it across. The City apparently never saw itself as the permanent landlord in this case, despite the fact that their tenure has been relatively trouble free, and they are also looking to put the property back on the tax ~~paying~~ rolls. Under the original lease agreement, the city took responsibility for the real estate taxes, for which of course they are exempt since the property is city owned. In fact, in the last two fiscal years, the project has paid $10,000 annually towards the taxes. The actual tax bill is now estimated at $60,000, ~~max~~. Douglas has surveyed almost every tenant and reports that 60 - 70% show a high interest in ~~the~~ purchasing. Another 15% show at least some interest. ~~Thixxhe xx~~ Thus, he judges that about 80% of the current residents are likely to be involved. The current mortgagees expressed an interest in financing the conversion and an architect has been called in ~~to~~ who has submitted a ~~xinxfxx~~ rough outline of ~~these~~ deficiencies that need correction and improvements that need to be made. In general, it is expected that Section 234 itself will require certain kinds of remodeling and that the marketability of the units will ~~require~~ call for some others.

In all, it is anticipated that about $650,000 will go towards making improvements. This will include the enclosing of the garages, the re-carpeting of all public spaces, apartments and interior ~~added to the apartments, (which incidentally, originally came with wall to wall carpeting)~~ The replacement of all the awnings ~~over the~~ patio, the conversion of master meters into individual meters, improvements in the kitchen, including new appliances, cabinets, and more tile ~~area~~ around sinks and ~~an increase in the height of the tile~~ in the bathrooms, general painting and fixing up. Also, in this figure are the fees ~~that will be required in relation~~ incidental to the construction work and the conversion. When the $200,000 required to reimburse the city for past tax deferments are added to the improvement costs, the total comes to $850,000. This added to the existing mortgage of $1.7 million produces a rough estimate of about $2.55 million dollars as the purchase price. Under Section 234 it is estimated that a mortgage for about 93% can be obtained. Thus, the down payment requirement will be about 7% on purchase prices varying from $18,000 from the smallest unit to $38,000 for the largest. [At another point in my interview I was given the figure $34,000 by Green as the upper limit. Similarly, down payments were quoted to me as being $1200 and $4500 which do not work out to a strict 7 or 7½% rate against the purchase prices later quoted by Douglas.] The tax bill once the project is fully tax paying will come to something between $500 and $600 per year for the small units up to $1100 and perhaps somewhat more for the larger units. Douglas still claimed

that the project was a good buy and this was confirmed by Green. Indeed, the purchase prices were described as a "steal" considering the quality of construction, the location, the landscaping, and ~~the~~ prevailing ~~prices on the~~ condominium and cooperative prices ~~on~~ IN apartments ~~that were going~~ currently being developed in San Francisco.

There are some problems with the conversion. For one thing, once the ownership goes out of the city's hands, they will lose the favorable interest rate (tax exempt) that they enjoy under the IRS ruling, ~~of 1976.~~ The rate would otherwise have been 7% ~~to~~ OR 7½% ~~when the~~ at the time of the original transfer ~~took place~~ and will be higher yet under the conversion plan. They are exploring a variety of devices for keeping that rate down but my sense is that they ~~don't~~ have ~~any~~ NO strong conviction that they are going to be successful ~~on that end.~~

When I inquired why the eagerness ~~for~~ TO convert~~ing~~ considering ~~of urgency~~ that things ~~were~~ WERE going well at the project, I was given a series of reasons. From the city's point of view, of course,

the reasons ~~have already been~~ are those noted above. Green's general comment is that people take better care when they are owners and that tenant psychology changes. ~~There is just going to~~ He expects ~~be~~ more personal investment, better upkeep and just a better project all around. Slade echoed the same kind of argument, although he acknowledged ~~the kind of~~ that tenant psychology is not necessarily changed overnight. There is no real training or preparation program contemplated, although when I suggested it, Slade did not reject it. Douglas ~~CYNWYX~~ indicated some other arguments. For one thing, they are now ~~XX~~ incurring expenses in re-decorating between 40 and 43 units each year as a result of ~~the~~ turnover. Under the conversion plan, individual families would have to do all of this themselves. I received in this part of my conversation, a somewhat new explanation ~~of this~~ for the dramatic turnover rate. ~~That was~~ About 50-60% of the tenant body is a stable group. All of the extra costs can ~~be~~ attributed to another 40% who are basically transient. What percentage of these are ~~the XXXXXXXXXX relocation types~~ relocatees, I was not informed. There is some concern about security. There

have been problems with auto theft and vandalism and some courtyard robberies, and it is felt that ownership will help ~~to just generally~~ tighten up security and internal vigilence. Of course, the closing in of the garages ~~that is~~ contemplated as part of ~~in~~ the remodeling under the ~~re financed~~ conversion plan will also help.

CONCLUSION

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